

## CHAPTER ONE

## ‘The biggest jolt’: Western’s Beginnings, 1977-1981

**W**estern Area Power Administration came into the world during interesting times. The mid-1970s was the first period since World War II that the Federal government encouraged Americans to conserve, cut back and cooperate for the good of the nation. Lines at gas pumps; threats from the Organization of Petroleum Exporting Countries, better known as OPEC, to cut-off the nation’s petroleum supply; inflation; and a dormant economy alarmed the nation. Under a political climate already darkened by the close of the Vietnam War and the height of the Watergate scandal, the Arab oil embargo of 1973 was a dark cloud that soon shadowed the other crises of the decade.

As OPEC producers cut shipments to the United States in a dispute over American support for Israel in the 1973 Yom Kippur War, oil prices rose eightfold, and the cost of electricity increased by nearly 50 percent. OPEC’s actions exposed the United States as a petro-junkie constantly dependent on another fix of foreign oil. In his autobiography, President Jimmy Carter observed that in the fall of 1973, the United States was importing almost 35 percent of its oil. By the time Carter took office four years later, imports had grown to 50 percent.<sup>1</sup> In this time of uncertainty regarding the national dependence on petroleum, hydropower’s stature grew as a working, easily available example of nonfossil fuel generation.

The external pressures brought by the oil crisis opened rifts between oil-producing and -consuming regions inside the United States. During the fuel-starved winter of 1973-74, New Mexican Governor Jerry Apodaca vowed that coal-producing states of the Rocky Mountain region would “not become the energy colonies of the Northeast.”<sup>2</sup> The Texas State Legislature went one better and passed a bill prohibiting interstate shipment of natural gas produced on state-owned lands.<sup>3</sup> Western’s second administrator, William Clagett, saw that “if U.S. citizens are deprived of their mobility and because of the necessity, their lifestyle changes overnight, there could be a similar and almost violent reaction as when a population must suddenly go without food.”<sup>4</sup>

## **‘The Moral Equivalent of War’**

Soon after Inauguration Day 1977, President Carter announced that the energy crisis was the “moral equivalent of war.” The president’s pronouncement quickly became a catch phrase during the early days of his administration. Many have taken credit for the call to arms, but the administration’s fixation on a new energy policy pounded the declaration into a cliché as the year wore on.

On Feb. 2, 1977, clad in a cardigan sweater in front of a smoldering fire in the White House library, Carter spoke to the nation of his plan to “bring order out of chaos” regarding energy. He vowed his administration would gather the duties of 50 Federal agencies, departments and bureaus connected to overseeing the nation’s oil and energy supplies under one authority—a Department of Energy.<sup>5</sup>

Carter presented to Congress his proposed energy reorganization legislation on March 1. The president’s National Energy Plan was the No. 1 legislative agenda item during his first year in office. That spring and summer, Carter made three televised talks to the nation and a State of the Union address to a joint session of Congress. The central theme of every speech by the president was how America would regain control of its energy supply and destiny.<sup>6</sup>

The speed of the Carter Administration’s actions caught those directly involved in power marketing in the Department of the Interior off-guard. John DiNucci was the branch chief for Power Marketing in Reclamation’s Washington office when he heard a rumbling that change was on its way.

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“The whole thing happened so quickly,” DiNucci said. “Very few of us could gather our thoughts. We never thought they could separate power marketing and transmission functions from the Bureau.” DiNucci admitted that his duties had kept him distracted from the events swirling around him: “I didn’t even know the thing (DOE Act) was in the mill.

This was back in April of 1977. I was so damn busy trying to get all my contracts together because of lack of personnel. All of sudden, we get this thing that they are going to pass this back—and whack! Personally, I didn’t think it was going to fly, because Reclamation never really did anything about it.”<sup>7</sup>

Rumors began to fly inside Reclamation that an Energy Act would detach the power marketing function from its control. In 1977, the new Commissioner of Reclamation, R. Keith Higginson, came from Idaho to an organization under attack. Appointed as Commissioner from the Directorship of the Idaho Water Resources Department, Higginson quickly found himself in a fight with congressmen who “wanted to dismantle the Bureau” after the Teton Dam failed in June 1976. No one suspected at the time, but Reclamation’s days as the West’s premier dam-builder were drawing to a close, and with them its role in power marketing.<sup>8</sup>

Thrust into this situation was the regional manager of Reclamation’s Regional Office in Billings, Mont., Robert McPhail. In May 1977, Higginson asked McPhail to chair a task force examining the possibility of transferring Reclamation’s power marketing functions to a new agency. The members of the task force came from Reclamation’s different regional offices. McPhail described them as “competent, long-term trusted managers who were intimately familiar with the power operations and transmission systems.” This board included John DiNucci and Billy Spillers

in Washington, D.C.; Ab Watts, Conrad Miller and Harvey Hunkins in Denver; Thomas Weaver and Jim Davies in Billings; Bob Olson and Peter Ungerman in Boulder City, Nev.; Gordon Estes in Sacramento; John Mueller and Al Gabiola in Salt Lake City and Howard Jenkins in Amarillo, Texas. In a few months, most of these men would be part of that new power agency.<sup>9</sup>

As the task force hammered abstract “what-ifs” into a set of guidelines, legislation creating the DOE passed the Senate on May 18, 1977, and the House on June 3, 1977. It brought with it the expected debate and controversy. An example of the depth of opposition to a Department of Energy came from the conservative economist Milton Friedman: “A Department of Energy has the potential of being the most powerful and the most harmful of all Federal agencies. It would control the lifeblood of our economic system. Its tentacles would reach into every factory, into every dwelling in the land.”<sup>10</sup>

Senator Ernest Hollings (D-SC) defended the creation of a Department of Energy on the floor of the Senate. He compared the new department to a car that spent years on the drawing board and was now ready for a big launch to the public: “1977 shows that many energy engines or programs have been presented by American presidents, but President Carter’s is the first with four wheels and a body. And sell or not—this is a model that America must buy or else find itself walking within 20 years.”<sup>11</sup>

The creation of a power marketing administration for the western United States filled only a few sentences in the language of the Act. Western’s birth certificate is in Section 302(a) of the Department of Energy Act, (42 U.S.C. / 7151a). Section 302 (a) transferred the power marketing functions from Reclamation and created a new power marketing administration. With the Congress focused on the bigger problems surrounding the future of the national energy supply, the legislators enacted Section 302 (a) in much the same form as first introduced. Congressional action, including approval of the House and Senate conference reports, concluded on Aug. 3. The following day, Aug. 4, 1977, President Carter signed the bill into law (Public Law 95-91).<sup>12</sup>

In three months, the task force put together a list of responsibilities, facilities and the names of 976 people eligible for transfer from Reclamation to DOE. Under the civil service guidelines established by the Office of Management and Budget, those Reclamation employees who worked 50 percent or more of their time on power marketing and transmission would make the jump to the new organization. Those working less than 50 percent of their time on power would stay with Reclamation.<sup>13</sup>

One glaring fact discovered by the task force was that none of Reclamation’s top management or administrative support people spent 50 percent or more of their time in power marketing. This would leave a hole at the top of the new agency. Billy Spillers in Reclamation’s Washington Office eventually negotiated a deal with Reclamation officials to transfer 63 vacant positions that would fill top management, legal and administrative support positions.<sup>14</sup>

Looking back from a distance of a decade, in 1987, Bill Clagett recalled the scramble to begin operations: “Some 900 employees from the Bureau of Reclamation received what was the biggest jolt in their careers. They were plucked from an organization with a 70-year history and placed in a new organization that didn’t even have a name.”<sup>15</sup>

For preference customers in the West, Fiscal New Years Day—Oct. 1, 1977—dawned on a new Federal agency with no name. The day brought a Final Determination Order specifying the

transfer of Reclamation's power marketing responsibilities, facilities and people. Commissioner Higginson detailed the chair of the task force, McPhail, from Reclamation to DOE as the acting administrator of the new PMA.<sup>16</sup> McPhail inherited a new organization with 15,000 miles of high-voltage transmission lines, 256 substations, 466 contracts, \$250 million in annual revenues and an annual budget of \$117 million to operate and maintain that system.<sup>17</sup>

The transfer was a momentous occasion only on paper. The new PMA had to report to the Department of Energy and DOE's answers were often slow in coming. The DOE's first Director of Administration, William Heffelfinger, refused to approve the task force's new organizational structure and proposed office locations. Heffelfinger also refused to give the new PMA any hiring authority to put in place a management team and administrative support staff. McPhail recalled that "Heffelfinger wanted to consolidate all five of the power marketing agencies into one office based in Washington. That one agency would report back to him." Preference customer groups in

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the Missouri River Basin and along the Colorado River got wind of the plan and voiced their anger to their congressional representatives. Heffelfinger and the DOE quickly backed away from their proposal.<sup>18</sup>

Another misperception among DOE's senior management was that a handful of people could run a new, 15-state power marketing organization. They based their belief on the 30 and 50 individuals then staffing the

Southeastern and Southwestern power administrations. This problem was resolved after discussions between McPhail and DOE officials. Several of Western's senior managers later recalled that since most of DOE's management came from the Atomic Energy Commission, explaining how transmission and power generation worked was a struggle.<sup>19</sup>

The new organization faced several challenges, including the need for a new name and a new home. For example, Western was almost not Western. Tucked in a file in the office of Western's administrator is a flow chart of possible departments in the new agency from this period. Scribbled in the corner were a list of possible names for the "new baby." They included the inexplicable Bison Energy Administration, the geographically impossible Central Western Power Authority and the historically honorable, but confusing, Reclamation Power Authority. Other potential choices included Mid-Continent Power Administration and the Western Power Marketing Agency. The WPA (Western Power Administration) was another choice, but McPhail said the memory of Roosevelt's New Deal agency, the Works Progress Administration, might have triggered a discomfiting flashback among some in Washington and out west.<sup>20</sup>

On Dec. 21, 1977, DOE accepted McPhail's recommendation for a name and announced the establishment of a new PMA—Western Area Power Administration. Over the next few months, the PMA would continue to exist "out of Bob McPhail's suitcase in Billings" as Western struggled to bring in people and find a home.<sup>21</sup>

Another matter of importance was a headquarters location. One of DOE's acting assistant secretaries drew up a list of six cities within the old Reclamation service area—Denver, Billings,

Salt Lake City, Sacramento, Albuquerque and Phoenix—as possible sites for Western’s headquarters. Some in the new PMA favored establishing the main office in Billings for reasons both professional and personal. However, Denver had the inside track as the most central location in the service area and due to its proximity to Reclamation.<sup>22</sup>

If Denver was a foregone conclusion for headquarters, finding a place to land somewhere in the city was much more difficult. Those headaches were a direct result of Executive Order 12072. The underlying aim of the Executive Order was “the socioeconomic improvement of our cities” through the placement of Federal agencies in central business districts.<sup>23</sup> Denver was in a bust cycle and was eager to land a Federal facility. McPhail went “house hunting” in some of Denver’s less desirable neighborhoods where the rents were cheaper, but did not find anything to his liking.<sup>24</sup>

The General Services Administration—the government’s “landlord”—noted “with the exception of one building, which would require congressional approval because of price, there may be only three buildings in the downtown Denver area that could accommodate DOE/WAPA.” GSA agreed with Western that all of the buildings available in Denver were “old, (and) have been unleaseable for a number of years.” However, GSA did not waver from its edict to keep the new PMA in downtown Denver. Some in Western also worried that additional money for downtown rents would affect power rate schedules with the customers. In addition, McPhail wanted Western on the west side of Denver close to Reclamation, because staff there continued to provide direct support in data processing, training and laboratory testing.<sup>25</sup>



After two years in trailers, Western’s Headquarters employees moved into Building 18 at the Denver West Office Park in Golden, Colo. The site would serve as Western’s Headquarters until December 1999.

On June 18, 1978, DOE appointed McPhail as Western’s first administrator. McPhail could claim rolling stock of two 30’ x 50’ trailers, a staff of 30 and one phone line at a temporary location in Golden, Colo. A decade later, he spoke of the difficulties of finding a home for the new agency:

*It was two years and umpteen pitched bureaucratic battles later that we finally signed a lease on office space for the WAPA headquarters at the Denver West Office Park after using borrowed space in two doublewide trailers for three months. Some of my long-time Bureau friends told me that WAPA is the only agency to ever stand up and fight the GSA and then receive its choice of office space. Obtaining office space for WAPA was without a doubt my most frustrating experience during my 25 years of Federal service.<sup>26</sup>*

McPhail later admitted that help came during this time from an unexpected source. DOE’s Administrative Director Heffelfinger loaned Western the services of Don Shinkle. In July 1978, Shinkle came from Washington to serve as Western’s Assistant Administrator for Management Services. In a month’s time, Shinkle arranged for Western to lease 36,489 square feet of temporary office space in the Denver West Office Park in Golden from a DOE contractor, the Solar Energy Research Institute (now the National Renewable Energy Laboratory). The arrangement got around the GSA order to locate in downtown Denver. The downtown-suburbs showdown between Western and GSA would continue for two more years until GSA admitted defeat in 1981.

In March 1978, DOE approved the organization of the Headquarters office and establishment of five area offices and subordinate district offices. The five area managers came on board during May and June of 1978. All came over from similar positions in Reclamation, and their transfer was relatively painless. They included Robert Olson in Boulder City, Nev.; Peter Ungerman in Loveland-Fort Collins, Colo.; Al Gabiola in Salt Lake City; Gordon Estes in Sacramento and Jim Davies in Billings.<sup>27</sup>

Western filled other top management jobs during the summer of 1978. On July 19, 1978, William “Bill” Clagett became Western’s first Deputy Administrator. Western’s lone senior administrator without a Reclamation background, Clagett spent the previous seven years as Assistant Administrator in Bonneville Power Administration’s Washington, D.C. liaison office. Clagett’s first assignment was to convince congressional budget committees to institute a revolving fund for Western similar to the method used by the Bonneville Power Administration. That same month, Western’s first general counsel, Thomas Hine, came over from the Department of the Interior Solicitor’s Office in Boulder City, Nev.<sup>28</sup>

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The new agency may have served the wide-open West, but space was a problem systemwide. In 1979, Frank Knutson, then the assistant area manager for engineering in the Loveland-Fort Collins Area Office, noticed that Reclamation kept all the facilities after Western’s creation. Knutson noted, “We rented ourselves a district office in Fort Collins in the basement of the old Post Office building. We started identifying some of the problems—and we had considerable ones. Basically, for 18 months very little was accomplished under the WAPA role, mainly because of lack of key people and key positions.”<sup>29</sup> Thaine Michie, transmission lines and substations division director in Loveland-Fort Collins, added that only “line crews and line supervisors” came over from Reclamation initially and “there were no secretaries, no administrative help, warehousing help or anything.”<sup>30</sup> As late as March 1979, the Sacramento Area Office did not have an adequate facility and considered moving into trailers. Salt Lake City staff were in an old Federal Aeronautics Administration building under a temporary lease provided by the General Services Administration, and the Billing Area Office was still looking for a permanent home.<sup>31</sup>

Knutson also recalled the problems with transmission in the field. During 1977-78, he remembered “an extreme number of system breakups because of the lack of good equipment.” One occurrence of note happened on July 10, 1978, when Western imported more power than the system could handle, and the Archer Substation 10 miles east of Cheyenne, Wyo., blew a fuse. The problem cascaded, leaving metropolitan Denver in the dark for two hours.<sup>32</sup>

For most power customers, 1977-78 was much more memorable for the weather than for Western’s arrival. In November and December 1977, heavy icing conditions combined with high winds destroyed or damaged several wood-pole transmission structures between Forman, N.D., and Watertown, S.D. Western’s operations and maintenance crews fought bad weather for several weeks to repair damage and return the lines to service. In March 1978, heavy rains around Phoenix caused the Salt River to flood. The floodwater caused a shift in the river channel that washed out a double-circuit 230-kilovolt tower and damaged two other structures. On July 6, 1978, tornado-force winds in South Dakota crumpled a steel transmission tower like a wire coat

hanger. The damage caused an outage on the 230-kV Utica Junction-Sioux Falls line. The city of Sioux Falls, S.D., did not go dark, but the loss of the line resulted in low voltage until crews completed repairs on July 12. Underscoring the capricious nature of the weather during those years, in 1977 drought and near-drought conditions in Northern California and Utah hampered generation, but in 1978 above average moisture brought the water supply back up to the “very good” level.<sup>33</sup>

## **The Divorce Decree: Reclamation and Western Divide**

Beyond his battles with the DOE and GSA, Administrator McPhail spent his free time during 1978 and 1979 negotiating the full transfer of facilities and functions from Reclamation.

In a Feb. 3, 1978, memo to DOE Assistant Secretary for Resource Applications, George S. McIsaac, McPhail delivered a blunt message about a manpower shortage he believed was responsible for Western’s inability to get started. McPhail wrote that at his four-month old agency, much of the work was at the level of “getting by” without a permanent management staff. He complained, “There are insufficient WAPA personnel to accomplish the work, and BR personnel naturally give first priority to BR work rather than WAPA work.”<sup>34</sup>

Almost to the day of Western’s first anniversary in December 1978, McPhail issued a review of DOE’s attempts at staffing Western. He found that planning and staffing almost from the beginning had been a continual “belt tightening” exercise. Before the DOE Act, Reclamation handled power marketing and transmission as part of its integrated power generation and transmission program. Those two functions represented only 15 percent of Reclamation’s overall workload. Both agencies duplicated staffing, property, budget, finance and some engineering duties. The combination of staffing requirements due to increased demands and the application of the 50-percent rule left both Reclamation and Western short of people. McPhail warned that Reclamation had allowed some staffing levels to fall below the safe “operational curve”—forcing Western’s managers to fill positions vital to keeping the power system going and also cutting into their schedules for hiring support staff.<sup>35</sup>

The enmity between Reclamation and Western over the transfer of functions and property grew during 1979. On Feb. 18, 1979, McPhail sent a letter to Reclamation Commissioner Higginson pointing out the delays in transferring property, staffing and functions. He specifically cited “very severe shortages” of people and equipment in Sacramento and Denver. Reclamation’s Upper Colorado Region Manager in Salt Lake City, N.W. “Bill” Plummer, commented to Commissioner Higginson in March 1979 that “Considerable polarization appears to be developing between WAPA and Reclamation. As a result, more effort is going to be required to negotiate a reasonable settlement.” Higginson made it known that he wanted to conclude the servicing of Western as soon as possible, as getting the new PMA up and running was a low priority on Reclamation’s list of work to be accomplished.<sup>36</sup>



Reclamation Commissioner R. Keith Higginson, left, and Western Administrator Bob McPhail sign Western’s “divorce decree” from Reclamation on March 27, 1980.

Beyond terse letters, negotiations continued for almost two years. On March 27, 1980, Higginson and McPhail signed a joint agreement defining each organization's jurisdictional responsibilities. The agreement placed control of planning, design, construction and operations and maintenance of hydro and other forms of electrical power generation with Reclamation. Western would be in charge of planning, design, construction and operation and maintenance of the transmission system, marketing Federal power and setting power rates to assure repayment of all allocated investment. Western would also run and maintain the high-voltage transmission lines, substations and equipment, operate principal tie-ins and switching stations and schedule energy transactions with connecting utilities. Both organizations would operate elements of the water release system. Reclamation would control the release schedule and maintain operational control of all generator units. Western would participate in decisions with Reclamation to optimize the use of power resources. In addition, the agreement established a joint electric power resource and transmission research, development and testing program.<sup>37</sup>

Commissioner Higginson's memories of the split between Western and Reclamation are much more placid than his correspondence of that period illustrates. Reflecting from a distance of 20 years, he said: "There were some legitimate controversial issues over what should go and what should stay, if they should keep this particular facility or this particular function. In the end, I think everybody agreed with the decision and accepted it and said let's get on with it."<sup>38</sup>

Beyond the divorce settlement between Reclamation and Western, employees had to focus on two crucial areas to get Western established. The PMA had to develop the all-important rate and marketing criteria, as a number of existing contracts would soon expire; and the existing transmission system was starting to show its age, pressuring Western to build new lines and facilities.



Lloyd Greiner served in several positions during his tenure at Western. He also worked for Reclamation.

## Rates and Marketing

Distractions over names, a home and functions delayed Western's rate-setting plans. In the spring of 1978, Fred Simonton, executive director of the Upper Missouri River Basin preference power consumers group, Mid-West Electric Consumers Association, told the Senate Subcommittee on Energy Production and Supply, "For six and one-half months, the Western Area Power Administration, which is a major power supplier to millions of people in 15 western states, has been completely stymied with temporary management. While Denver has been designated the headquarters of the Western Area Power Administration, there isn't a headquarters telephone number or even a desk."<sup>39</sup>

Reclamation did not have a public process in place for setting rates until the early 1970s. Lloyd Greiner remembered that in Reclamation's Billings Office, agency policy virtually silenced the public's voice regarding what the government charged for power: "I wasn't there in the earlier days when the power allocations were put together, but there was no public input. Basically, we announced a rate increase. There was a great deal of pressure from Mid-West (Electric Consumers Association) for Reclamation people to at least talk to the customers."<sup>40</sup> Greiner added that by 1972, customers expressing their concerns over rates forced Reclamation to open the public input process somewhat. It took further legal action (*Northern California Power Agency, et al, v. Morton, 1975*) in the final days of Reclamation's involvement in setting rates before public participation broadened.<sup>41</sup>

Of the little more than 7 million kilowatts of power Western had under contract in 1977, contracts for 6.2 million kW would expire between 1981 and 1990. Customers' increasing load requirements, and the time needed to develop alternative energy supplies, pressured Western to provide as much advance notice as possible of any major changes in hydropower allocations.

In 1979, Western began rate actions for the Central Valley, Colorado River Storage and Parker-Davis projects. The next year, Western began rate actions for Boulder Canyon and Pick-Sloan's Eastern Division customers. Western focused much of its attention on Pick-Sloan rates because of the large amount of power the project produced and the active customer base in the region.

In the Pick-Sloan's Eastern Division, the timetable for a new power marketing plan began in January 1979. McPhail announced that the public would have a greater role in Western's first major marketing plan. In the Eastern Division, Western marketed power from eight powerplants, operated more than 7,300 miles of transmission line and 90 substations and sold 2,000 megawatts of capacity and more than 10 billion kilowatthours of energy each year. Of the 248 contracts for the delivery and sale of firm electric power, most would expire on Dec. 31, 1985. In preparing the plan, Western officials analyzed marketable products like firm and peaking power, system reserves, regulation, transmission, new allocations and new contractual agreements. They also estimated future load and water conditions.<sup>42</sup>

Western held preliminary public meetings in Sioux Falls, S.D., and Billings, Mont., in March 1979. The meetings allowed customers to voice their thoughts over existing resources and future developments. Two reports and a succession of meetings with customers across the Dakotas, Minnesota, Nebraska, Iowa and Montana continued into 1980. After the public comment period closed on Sept. 12, 1980, the Billings Area Office went to work incorporating customer responses into the final marketing plan. Greater public participation worked, and the final Post-1985 Marketing Plan was published in the *Federal Register* on Oct. 30, 1980. On Nov. 3, McPhail signed a letter of commitment with the participating customers.<sup>43</sup>

The administrator noted at the conclusion of the signing ceremony that "there is a tendency for many who view the operations of a Federal agency to feel that decisions that affect the public are often made in a vacuum." McPhail found the first major public process for a Western marketing plan "enabled us (Western) to ensure a fair and equitable assignment of power and has provided our customers with ample time to adjust to any potential changes in their power supply programs that, in turn, affect their future generation planning."<sup>44</sup>

The marketing language detailed Western's management of Pick-Sloan power for the next 15 years. Among its many provisions, the formula included:

- maintaining the existing Eastern Division marketing area,
- extending previous commitments through 2000 and
- establishing service to qualified new preference customers in the Billings marketing area from resource pools totaling 35 megawatts in the summer and 40 MW in the winter.

In a departure from previous Reclamation marketing plans, and to address the energy crisis, customers had to establish an energy conservation program by July 1982.<sup>45</sup>

At the same time as the public review of the Eastern Division's marketing plan, Western's Boulder City Area Office began a public process to adjust the rates for power on the Parker-Davis Project. Under a DOE delegation order, DOE approved Western's rate adjustments on an interim basis, subject to final confirmation by the Federal Energy Regulatory Commission. On April 13, 1979, Western began work on a proposed rate adjustment for the Colorado River Storage Project. The rate adjustment resulted from a Fiscal Year 1977 power repayment study. The study found the existing power rate did not repay construction nor provide adequate revenue to pay CRSP operating expenses, including the costs of purchasing power to supplement the project's hydro generation. Western's proposed rate raised the monthly capacity charge from \$1.34 to \$1.93 per kilowatt-hour—an increase of 38 percent—and led to the first challenge of a Western rate before FERC. New agreements continued into 1981, as Western finalized the marketing plan for the Fryingpan-Arkansas Project in central Colorado and achieved a major milestone with approval from FERC for a new rate for the Parker-Davis Project.<sup>46</sup>

## **Settlement in Santa Clara**

Two Reclamation legacies reached resolution in 1980. Western settled the contentious *City of Santa Clara v. Duncan* case and one of the West's mightiest manmade lakes filled for the first time.

The legal wrangling involving *City of Santa Clara v. Duncan* began in 1964. The city of Santa Clara, Calif., claimed it failed to receive a firm allocation of power from Reclamation's Central Valley Project when power from the Trinity River Division became available and was allocated.<sup>47</sup>

By 1975, the city of Santa Clara filed suit in California District Court challenging the reduction of its withdrawable allocation of Central Valley Project power. The city of Santa Clara also asserted that the CVP power banked with Pacific Gas and Electric Company was a sale in violation of the preference clause. Besides Reclamation, Western and Santa Clara, parties involved in the case included the Departments of Energy, Interior and Justice; PG&E; the intervenor California cities of Palo Alto, Roseville, Redding, Biggs and Gridley; and the Plumas Sierra Rural Electric Cooperative.<sup>48</sup>

Many years of legal wrangling preceded Western's involvement in *Santa Clara*, so it was with much relief that Santa Clara and the smaller cities approached Western to discuss a settlement in 1979. Western contacted PG&E, and all parties agreed to a preliminary settlement in December 1979. The final Memorandum of Understanding dated June 12, 1980, featured the following points of agreement:

1. Make available a firm allocation of Central Valley Project power to the city of Santa Clara, plus an additional allocation of withdrawable power;
2. Both the city of Santa Clara and PG&E would dismiss their suits;
3. Increase the level of CVP load that PG&E would support and establish a specific amount of CVP power that each intervenor city and rural electric cooperative could count on to meet future load growth, and
4. Raise Western's load level to 1,152 megawatts, giving Western the ability to allocate 102 megawatts more power than the existing allocation.<sup>49</sup>

The settlement also resolved two related cases, *Pacific Gas and Electric Company v. the United States* and the *City of Santa Clara v. United States*. After signing the settlement, McPhail said: “This is a landmark occasion as far as the CVP is concerned, because it affects all aspects of how Western allocates and markets CVP power. Western’s internal publication, *Closed Circuit*, noted, “The case (Santa Clara) has been our most complex legal issue to date.”<sup>50</sup>

## Lake Powell Fills

A month after the Santa Clara settlement another event served as a reminder of the remaining ties between Reclamation and Western. On July 11, 1980, the city of Page, Ariz., held a ceremony to celebrate the filling of Lake Powell behind Glen Canyon Dam. After Reclamation completed construction in March 1963, it took 17 years for the lake to reach a full surface elevation of 3,700 feet. Glen Canyon is the largest powerhouse of the Colorado River Storage Project, and Western sells electricity from its powerplant to customers in Utah, Colorado, Wyoming, New Mexico, Nevada and Arizona.

A full lake allowed Western to deliver 100-percent of its power commitments to its customers during June and July 1980. These deliveries, in turn, reduced gas and oil consumption. Speaking at the ceremony in Page, Reclamation Commissioner Higginson noted that since its days on the drawing board, Glen Canyon had been a source of controversy. He made a request of those favoring removal of the dam: “Those who would oppose all water resource development for whatever their motive, I would invite them to come to Page and Glen Canyon and see what has been accomplished.”<sup>51</sup>



Massive Lake Powell filled for the first time in 1980, after Western had taken over power sales from the Glen Canyon Powerplant. The Glen Canyon Dam created Lake Powell, which has become a popular tourist destination.

## Building A Name: New Construction under Western

The quickest way to create an image of Western as an agency on the move was to build offices and transmission facilities across the West. Despite a relatively small first-year construction budget of \$10 million, 1978 was a big year for transmission construction. Western energized 407 circuit miles of new transmission lines and crews completed the 177-mile Watertown-Sioux City 345-kV line in South Dakota and Iowa and the 186-mile Hayden-Ault 345-kV transmission line in eastern Colorado.<sup>52</sup>



Western Administrator Bob McPhail, second from left, and other officials got a look at the new Watertown Operations Office during the facility's dedication on June 24, 1978. Also pictured are, standing from left to right, Jerome Juba, Watertown Operations officer; George McIsaac, Reclamation's assistant secretary for Resource Applications; Dan Ogden, director of the Office of Power Administration Coordination; and Administrator James Hammett, Southwest Power Administration. Seated is Bob Duncan, senior dispatcher at Watertown.

Back on the ground, Western set about building facilities for its employees in the different service areas. The first structure of note was the Power Service Operations building in Watertown, S.D., completed in November 1977. The building is the nerve center for power system operations in the Pick-Sloan's Eastern Division. Western's first Public Information Officer, Robert Zeeck, remembered the dedication of the Watertown facility on June 24, 1978. This was the first time top brass from DOE in Washington and Congressional leadership, in the form of South Dakota Senator George McGovern, participated in the opening of a Western construction project.<sup>53</sup>

Another important first step took place at Western's construction office in Huron, S.D. A planeload of Western's management made the trip from Denver to Huron on May 28, 1980. Their task was to witness the opening of bids to build a 227-mile portion of a 230-kV transmission line between Miles City, Montana, and New Underwood, S.D. The line would be Western's first large-scale transmission construction project.

The project aimed to improve the reliability of the Federal transmission system in eastern Montana and the western Dakotas. To reduce construction costs and meet the many needs of Western and its customers, Western and the area utilities jointly funded construction. Customers

needed the line to enhance reliability to existing loads and provide increased capacity to meet projected growth. Western divided the construction work between both states. Howard P. Foley Company of Salt Lake City presented a low bid of \$7.7 million for the Montana portion. Brink Construction Company of Rapid City won the right to build the South Dakota line with a low bid of \$9.6 million. The most visible aspect of project construction was 4,000 wood poles standing 65 to 100 feet above the ground and weighing about 15,000 pounds each. The poles were designed to withstand the forces of decay, insects, high winds, ice loading, lightning bolts and tornadoes. The transmission lines were in place in late 1981, and Western completed the entire project by July 1982.<sup>54</sup>

Western broke ground in 1980 on a new home for the Loveland-Fort Collins Area Office. One hundred people working in the Fort Collins Office moved down Interstate 25 to the new Power Management and Operation Complex near the Loveland-Fort Collins Airport in the summer of 1982.<sup>55</sup>

The early 1980s saw the introduction of the computer into every aspect of the private sector and the Federal government. Western moved into this uncharted realm with the use of a Supervisory Control and Data Acquisition system. The network of computers, terminals and remote units provided power system operators with rapid information on power lines and substations. SCADA first came on line in Western's Phoenix District Office in the summer of 1980. At a cost of \$3.5 million, the automated system allowed dispatchers in Phoenix to perform operations at the Parker and Davis powerplants. Western converted its entire dispatch system to SCADA by 1981.<sup>56</sup>

## **The Sun and the Wind: Western and Alternative Energy Sources**

The 1970s saw an increased national awareness of environmental issues. These concerns placed new demands on power suppliers to develop and deliver alternative, environmentally friendly energy. In 1979, Western took a first step toward developing wind power with the purchase of two small generators (10 and 40 kilowatts) to power two substations in Wyoming. Western worked jointly with Reclamation to install a prototype wind turbine generator near Medicine Bow, Wy. Western integrated the generator's output to the high-voltage transmission system and integrated it with various hydroelectric resources. The project was designed to demonstrate the technology, not to make a dent in energy imports. The two wind generators would save about 240 barrels of oil annually.<sup>57</sup>

The agency also became involved in the Federal Photovoltaic Utilization Program to use the rays of the sun to produce power at Cunningham Mountain, Ariz. The system produced 20 amperes for charging batteries at a radio repeater site. During this period, McPhail informed customer groups leery of alternative energy sources that Western's "strong support" for the development of solar energy offered "flexibility" to the hydroelectric-based system.<sup>58</sup>

The Department of Energy Act emphasized conservation and renewable energy development. In 1980, Western started its own Conservation and Renewable Energy Program. In charge of this program was Joe Hall, who later became Western's assistant administrator for power management and operations and maintenance. Hall wanted customers to think of Western as "provid-

ing energy services—not just selling electricity.” The C&RE program’s goal was to meet at least 20 percent of the country’s energy needs with solar and renewable resources by the year 2000. In the oil-starved days of the 1970s, one of Western’s objectives was to save several million barrels of oil annually through a fuel replacement program that displaced oil-fired generation using hydropower available through large reservoirs. In 1980 alone, Western saved 4 million barrels of oil valued at \$17 million.<sup>59</sup>

### **The End of the Beginning**

The foundation work began to take hold in 1981. Completion of Western’s first major transmission line from Miles City to New Underwood and the satisfactory conclusion of the first big marketing plan for Pick-Sloan’s Eastern Division pointed to a promising future.

Looking back on a fast-paced four years, McPhail explained in Western’s 1981 *Annual Report* that the agency spent its early years “maximizing its resources by working with the different utilities through the joint planning and construction of new transmission lines, improving system reliability and exchanging power to optimize operating efficiency.”<sup>60</sup>

Western’s Engineering Development Division Director, Clark Rose, said things started to settle at headquarters around Christmas 1981. The trailers were long gone, and structure began to take hold: “We moved into Building 18 (at Denver West Office Complex in Golden, Colo.). It was the first time we consolidated engineering, procurement and construction into the same location. It was an improvement, because you didn’t have to walk a mile, or visit on the phone, or get in the car and drive.”<sup>61</sup>

However, that sense of stability did not last. Earlier in 1981, a new philosophy toward Federal management of public resources came to the nation’s capitol. Western became one of its targets. ▼